



Department of Justice

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AT
(202) 616-2771
TDD (202) 514-1888

**FORMER PRESIDENT OF AMERICAN SUBSIDIARY OF WORLD'S NO.2
LIQUOR COMPANY PLEADS GUILTY TO EMBEZZLEMENT AND
KICKBACK CONSPIRACY. ADMITS CONSPIRING WITH OTHER
EXECUTIVES TO EMBEZZLE OVER \$13 MILLION**

WASHINGTON, D.C. -- Joel I. Klein, Assistant Attorney General for DOJ'S Antitrust Division, and MARY JO WHITE, US Attorney for the Southern District of New York, announced that GABRIEL SAGAZ, former president of Domecq Importers, Inc., pled guilty today in Manhattan federal court to a charge of conspiracy to defraud and obstruct the Internal Revenue Service, evade income taxes, and commit mail fraud.

According to the Information, SAGAZ was vice president of marketing of Domecq Importers, Inc., headquartered in Old Greenwich, Connecticut, from 1989 until 1995, when he became the company's president until his resignation in August 1996. As a result of the conspiracy, which lasted from at least as early as 1989 until August 1996, SAGAZ and other top executives at Domecq Importers embezzled over \$13 million directly from the company, and solicited and received another \$2 million in kickbacks from outside vendors to the company.

According to the Information, between 1989 and August 1996, SAGAZ and his co-conspirators embezzled at least \$13 million from Domecq Importers, Inc., with the assistance of certain outside vendors of advertising materials and services who did business with the company. These outside vendors invoiced Domecq Importers, Inc. for goods never produced and services never performed. SAGAZ and his co-conspirators approved the phony invoices for payment and

had Domecq Importers, Inc. pay them. The outside vendors then issued checks to shell corporations controlled by SAGAZ and his co-conspirators. These checks were usually deposited in the conspirators' offshore bank accounts. The conspirators failed to pay income taxes on most, if not all, of this money.

The Information also charges that SAGAZ and his co-conspirators received more than \$2 million in kickbacks paid directly by the outside vendors. In exchange for the kickbacks, SAGAZ and his co-conspirators steered contracts to these vendors, frequently by circumventing or ignoring Domecq Importers' competitive bidding policy. "Sagaz and other executives defied Domecq Importers' competitive bid policy by secretly arranging for favored suppliers to win contracts," Joel Klein said. "The company thereby lost the benefits of competition, and Sagaz and the other executives were able to continue their corrupt activity."

Since 1994 Domecq Importers, Inc. has been an American subsidiary of Allied Domecq P.L.C., the world's second-largest liquor company. Allied Domecq P.L.C. is based in London, and employs over 70,000 people worldwide. Domecq Importers, Inc. imports and distributes numerous brands of liquor, including Sauza tequila, Presidente brandy, Courvoisier cognac, and Beefeater gin.

SAGAZ, age 39, faces a maximum sentence of five years in prison, three years of supervised release, and a fine of the greatest of \$250,000 or twice the gross pecuniary gain derived from the offense, or twice the gross pecuniary loss caused to the victims of the crime.

Mr. KLEIN and Ms. WHITE praised the investigative efforts of the Federal Bureau of Investigation and the Internal Revenue Service and said the investigation is continuing. The investigation, which is being handled jointly by the Antitrust Division's New York Field Office and the US Attorney's Office for the Southern District of New York, began as a result of evidence

uncovered during the Antitrust Division's prosecutions in the point-of-purchase advertising display industry.

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